GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA

STARRED QUESTION NO:301
ANSWERED ON:11.08.2003
MINIMUM SUPPORT PRICE FOR AGRICULTURAL PRODUCTS
NARESH KUMAR PUGLIA;SHYAMA SINGH

Will the Minister of AGRICULTURE be pleased to state:

(a) whether the Government are aware that high Minimum Support Price (MSP) fixed for wheat during the past few years has resulted in unprecedented wheat stocks with various agencies;

(b) if so, the criteria laid down for fixing MSP for agricultural products;

(c) whether the eminent agricultural economists have urged upon the Government to review the MSP fixation norms;

(d) if so, the details thereof; and

(e) the details of other steps the Government propose to take in this regard?

Answer

MINISTER OF AGRICULTURE (SHRI RAJNATH SINGH)

(a) to (e): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO. 301 DUE FOR REPLY ON 11TH AUGUST, 2003.

(a): Several factors have contributed to the excess stock of wheat in the country. These include increase in production and resulting increase in marketable surplus, higher levels of procurement and lower off-take under Targetted Public Distribution System (TPDS)

(b): The Government decide on the MSP for various agricultural commodities aftertaking into account the recommendations of the Commission for Agricultural Costs and Prices (CACP), the views of State Governments and Central Ministries as well as such other relevant factors which, in the opinion of the Government are important for fixation of MSP. While recommending MSP, the CACP considers, in addition to cost of production, (i) the need to provide incentive to the producer for adopting improved technology and for developing a production pattern broadly in the light of national requirements; (ii) the need to ensure rational utilisation of land, water and other production resources; and (iii) the likely effect of the price policy on the rest of the economy, particularly on the cost of living, level of wages, industrial cost structure, etc.

(c)&(d): The participants in the National Seminar on `Methodological Issues in theFixation of Minimum Support Prices (MSPs)` held on November 6-7, 2002 at New Delhi,included eminent agricultural economists. The participants underlined the need to bring about improvement in the methodology for determination of MSP. The main conclusions of the National Seminar referred to above are enclosed.

(e): The Government has set up an Expert Committee under the Chairmanship of Prof.Y.K. Alagh to examine the recommendations made by the National Seminar on Methodological Issues in fixing Minimum Support Prices.

ANNEXURE

Main Conclusions of the National Seminar on Methodological Issues in the Fixation of Minimum Support Prices held on November 6-7, 2002, New Delhi.

1. The Ministry of Agriculture should be the main player in all policyinitiatives/decisions that affect the agricultural sector either directly or indirectly.

2. The CACP should play a strategic role in suggesting appropriate policy changesin a holistic manner for the agricultural sector as a whole and not just be confined to make crop specific recommendations.

3. The CACP should act as a `think tank` for the Ministry of Agriculture.It should work like a Tariff Commission and suggest reforms in taxes, subsidy, credit, marketing etc., especially in order to promote market led diversified agriculture in the wake of globalization.

4. Minimum Support prices should be more in the nature of a floor price. However, MSP should cover at least the operational expenses plus the cost of family labour.

5. The main objectives of MSP should be the following:

(i) to protect the farmers from facing undue hardship due to price fluctuation in the market and ensure price stability;

(ii) to ensure food security at both macro and micro levels;

(iii) to ensure fair and equitable agricultural terms of trade;

(iv) to provide signals for markets and market led agricultural diversification.

6. Region specific MSP would be undesirable and also difficult to implement.

7. MSPs cannot be mechanically linked with either costs of production or market prices.Sound, albeit holistic economic analysis and professional judgement of CACP would be extremely important, in fixing MSPs.

8. MSP should be declared in time i.e. before the sowing season.

9. Agricultural Price Policy should give appropriate signals for sustainable use of land, water and other natural resources.

10. There should be efforts to improve the quality of data on costs of cultivation. Data should be realistic and acceptable to the farming community.

11. There should be re-examination of the methods followed in imputing the value of (a) family labour (b) rental value of land and (c) interest on capital.

12. The CACP should examine whether transportation costs, marketing costs and processing costs be considered for the purpose of fixing MSP of various crops.